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## Customer Versus Supplier Expectations: Bringing in Value Beyond Just the Widgets

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In a highly competitive world where the customer expects to be king, why are so many firms unhappy with the products they purchase, sales staff that over-promise and don't deliver, and less than optimal after-sales service? In a recent paper, "Rethinking Customer Solutions: From Product Bundles to Relational Processes", published in the Journal of Marketing, Singapore Management University marketing professor Kapil R. Tuli and Emory University professors Ajay K. Kohli and Sundar G. Bhardwaj shed light on what appears to be a mismatch between customer expectations and what suppliers think their customers want. The study draws on in depth interviews with 49 managers in customer firms and 55 managers in supplier firms over a one-year period. Two focus groups were also conducted with 21 managers from 19 supplier firms.

### Transactional Processes

Companies today require all sorts of solutions from manufactured goods to sophisticated e-payment systems. Conventionally, a supplier takes a "product-centric" approach by providing a customised and integrated bundle of goods and services to meet the customer's perceived business requirements. However, in their research involving dozens of managers across functions and levels in various supplier and customer firms, the authors find little evidence to suggest that this is what the customer really wants.

In the words of a customer, "A solution to me is when a supplier proposed bringing in value beyond the widgets. Rather than saying that here is a widget for \$10, it's more about finding what I really need, figuring out the widgets that will be required, making sure that the widgets meet my requirements and work well with each other, bringing these widgets into my business, and making sure that they are around to ensure the widgets do what they were required to do. It's simply soup to nuts for me." Comments Tuli, "Customers tend to view a solution more broadly as a set of customer-supplier relational processes. However, few suppliers do."

Take the first step in a business exchange which is to understand the customer's needs – the "requirements definition" stage -- where the customer may not even fully understand or be able to accurately describe what is required. The authors report that customers expect suppliers to develop an in-depth understanding of their problems and complex requirements by probing multiple stakeholders in the firm. One customer noted, "It's about clearly identifying the problem I am facing. I might know something about it, but it's better if they can figure it out with me." Customers also expect suppliers to take into account and incorporate customers' long-term needs into the solution rather than providing superficial fixes. "Scalability is critical," says one customer. "Nobody wants to be stuck with a solution that is difficult to scale in the future. The vendor needs to plan out at least for three years."

Customers also do not want a cookie-cutter approach but customised, integrated solutions which involve designing, modifying, or selecting products which work well together and fit into the customers' existing environment. According to another customer, "If they are not willing to change things around for me, then it is creating new problems and is not a solution for me."

When products are delivered to the customer's location and installed -- the "deployment" stage -- the supplier firm must be prepared for practical problems to arise. According to Tuli, "The installation process frequently surfaces new customer requirements that call for additional modification of products". The deployment process also involves another important factor, people management. The supplier must understand the capabilities of personnel in the customer firm, especially those who will be frequent users of the solution. The supplier should provide users with appropriate information and tailored training if they are to fully benefit from the solution.

Once the solution is fully deployed, the customer expects the supplier firm to provide help whenever it is needed. Say the authors, "Importantly, post-deployment support in the case of solutions is more than providing spare parts, operating information, and routine maintenance. Post-deployment support also includes deploying new products in response to evolving requirements of a customer." They quote the manager of a healthcare firm who complains that, "Support is the Achilles heel for most suppliers. They come, deliver, and go, but what happens when I'm in trouble? We need solution providers, not fair-weather friends." This critical stage is often neglected by many supplier firms who also lose out on potential profits in the form of service fees and additional products.

According to Tuli, the four-step process is not so much sequential as iterative, and can help to develop a relationship based on trust between the supplier and customer. In fact, this is key for long term partnerships resulting in greater profitability for the supplier firm and efficiency gains for the customer firms. He says, "They

develop a relationship based on feedback which is essential in billion dollar deals spanning several years. Efforts to engage in these processes can even help to weather unforeseen events down the road." He cites as an example the partnership between IBM and American Express. After the events of 9/11 destroyed large amounts of data belonging to American Express, IBM was able to recover terabytes of backed up data and restore applications in record time. "This could only be the result of a long term relationship and good understanding of the customer," says Tuli.

### Supplier Variables

There are other factors which can affect the effectiveness of solutions. Often, divisions within a supplier firm function independently of each other and coordination amongst them is a major challenge. Tuli proposes the idea of "contingent hierarchy" where the unit with expertise on a customer's needs is put in charge of developing the solution regardless of its existing hierarchy. This balancing of power encourages units to share information with each other leading to better customisation and integration. It also encourages reciprocity among units who are more likely to cooperate during different projects.

As one customer describes it, "One of our vendors had a reporting structure where things moved from one project to the other. When we wanted a hosting solution, the server experts were in charge, and the software guys reported to them, but when we were looking at a portal solution, the software guys were in charge and the server guys reported to them. It was a complex reporting structure, but in my experience, things get done well when those in the know are the ones in charge."

Developing and sharing appropriate documentation, another variable, builds a supplier's record of *do's* and *don'ts* for future reference. If a supplier unit records and shares its product related information with other units, they are able to adapt their products accordingly to achieve better integration. Similarly, such "documentation emphasis" can make each unit aware of the status of other units' products, thus synchronising the entire supply chain.

"Incentive externality" is another important supplier factor which emphasises the importance of aligning incentives across all units. For example, sales personnel are typically paid when they close a deal. Thus, they have no incentive to thoroughly assess a customer's needs or to consider the feasibility of development, deployment, and post-deployment support. Unless the incentives of the sales, development, operations, and support staff complement one another, it is difficult for the relational processes to be carried out smoothly. Says one frustrated customer, "There were times when the support guys didn't even know what the others had said or were doing. We had to act as their messenger. Quite a reward for agreeing to pay a fat fee."

"Customer-interactor stability" refers to the duration for which sales personnel and support staff from the supplier firm are assigned to a customer. Stability here leads to interactors developing trust with the customer. States the sales director of a customer firm, "We were able to build relationships with these guys, trust them, maintain a certain connection, and jointly overcome unexpected problems. This built a lot of goodwill among us." Not only does this make the solution more effective, but also builds a foundation for long term business between the supplier and the customer firm.

Another variable identified in the paper is "process articulation" -- the extent to which a supplier firm clearly states and makes available to its employees the processes for developing a solution. This includes clarifying roles and responsibilities between units involved in developing a solution. Importantly, process articulation lays out a framework rather than rigid prescriptions for the units to interact with each other and a customer. The authors quote a systems analyst in the supplier firm as saying, "It's like a team where each one knows what's expected of them and, at the same time, they know how to fit into the big picture."

### Customer Variables


Customer related factors are also critical in determining the effectiveness of solutions. "Customer adaptiveness" is defined as the extent to which a customer is willing to modify its routines and processes to accommodate a supplier's products. Even if the supplier provides a customised solution, often the customer must modify its existing operations to be compatible with a more efficient technology or product. A flexible approach from the customer is necessary for the solution to deliver the desired results. According to one, "The customer also has to be willing to change the way they do business. You have to trust the vendor in the sense that they are driving best practices, and following these practices could be beneficial to us."


"Political counselling" helps a supplier better understand the priorities of the various stakeholders in a customer firm. This enables the supplier to define the customer's requirements in a more comprehensive and detailed fashion. Political counselling can be particularly critical during the deployment of products. For example, recalls Tuli, when a supplier was advised that many unionised customer employees feared being laid off when the new system was deployed, the supplier customised the user interface so as to resemble the existing system. This provided employees with a sense of continuity and lessened their fears. The result: they readily adopted the new system.

"Operational counselling" is as critical as political counselling. It refers to the extent to which a customer provides information and guidance about its own operations to a supplier. Operational counselling facilitates learning about

the unique elements of a customer's operations, and helps the supplier to customise and integrate the solution accordingly. It also keeps to keep abreast of changes in the customer's operations landscape, enabling the supplier to modify solutions in a timely and relevant manner. "Give your supplier unfettered access to your operations," advises the CIO of a customer firm. "Let them see what's going in inside your processes. Tell them what you want, how you will measure their performance. In short, train them in your performance, so that they know what your solution is supposed to do."

Supplier and customer variables, when handled well in a partnership based on trust, can improve the effectiveness and usefulness of solutions. This has some important implications for managers. For example, customers may be willing to pay higher prices for solutions that provide increased value-add from these relational processes. However, not all customers may be looking for long-term solutions. In such cases, says Tuli, "Suppliers should aim to become overall solution providers. They cannot make money from each assignment but should aim to make money from their aggregate assignment portfolio. You should either be learning or making money."

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